

AGRICULTURAL DEVELOPMENT AUTHORITY[25]

Adopted and Filed Emergency

Pursuant to the authority of Iowa Code section 175.6, the Agricultural Development Authority (IADA) hereby amends Chapter 4, "IADA Loan Participation Program," Iowa Administrative Code.

These amendments increase the maximum loan participation amount to better reflect the current prices for real estate. In addition, these amendments change the underwriting criteria for those operations which have a guaranteed source of repayment. These changes allow more highly leveraged transactions to be eligible when an assignment of payment can be secured.

The amendments also provide for a fixed interest rate on the participation which is less than the current rate offered to eligible producers. Finally, all participations regardless of the equity position will be amortized over 20 years with a 10-year balloon, unless the Loan Participation Program is being utilized in conjunction with federal programs at which point the amortization will be consistent with federal rules.

Pursuant to Iowa Code section 17A.4(3), the Agricultural Development Authority finds that notice and public participation are unnecessary because these amendments will allow the Loan Participation Program to remain relevant in today's agricultural environment. The increased loan amount is necessary due to ever-increasing land prices. The change to a 30-year amortization when FSA programs are involved is needed to comply with federal regulations, which went into effect in July 2008.

Pursuant to Iowa Code section 17A.5(2)"b"(2), the Agricultural Development Authority further finds that the normal effective date of these amendments, 35 days after publication, should be waived and these amendments be made effective upon filing, as they confer a benefit upon Iowa's low-income and beginning farmers.

These amendments are intended to implement Iowa Code chapter 175 as amended by 2006 Iowa Acts, Senate File 2268.

The Authority adopted these amendments on March 28, 2007, and August 27, 2009.

These amendments became effective September 2, 2009.

The following amendments are adopted.

ITEM 1. Amend subrule 4.3(9) as follows:

4.3(9) Farm debt-to-asset ratio. Borrower must have a farm debt-to-asset ratio of no more than 80 percent upon completion of loan closing. If the farm debt-to-asset ratio is greater than 60 percent, borrower's projected term debt coverage ratio must be 120 percent or greater. This requirement may be waived if:

- a. The project has a guaranteed source of repayment; and
- b. An assignment of payment is obtained.

ITEM 2. Amend rule 25—4.6(175) as follows:

25—4.6(175) Program maximums.

4.6(1) Purchase price impact. Maximum participation amount is the lesser of:

- a. Thirty percent of the purchase price; or
- b. One hundred fifty thousand dollars.

4.6(2) Net worth factor. The aggregate amount of the participated loan can be no more than ~~two~~ three times the net worth of the borrower. This requirement may be waived if:

- a. The project has a guaranteed source of repayment; and
- b. An assignment of payment is obtained.

4.6(3) Real estate collateral issues. A participated loan for real estate:

- a. Cannot exceed ~~90~~ 100 percent of the appraised value of the real estate collateral, ~~unless additional collateral is provided so that the total value of the collateral pledged has an appraised value of at least 125 percent of the amount of the participated loan.~~

~~b. — If additional collateral does not have an appraised value of at least 125 percent, the participation will be evenly amortized and paid in full in seven years.~~

~~e. b.~~ Any guarantee of repayment or pledge of additional collateral required by the lender to secure the participated loan shall secure the entire participated loan including the participation (by the authority).

4.6(4) *Loan terms.* The authority has established the following with respect to participation terms:

a. The maximum amortization period for the participation is seven years for depreciable agricultural property. When a participated loan is made for livestock, the length of the participation is restricted to the expected useful life of the animal being purchased. The following expected useful life schedules have been approved for livestock: cattle (including beef and dairy) equal 7 years; swine equal 3 years; and sheep equal 7 years.

b. IADA participation loan payments on participated real estate loans will be equally amortized for ~~either 7 or 20 years over the term of the participation, depending upon the amount of down payment provided by the applicant.~~ but shall not exceed a 20-year amortization, including a 10-year term with balloon payment and the balance of the participation paid in full by the end of the tenth year. If utilized in conjunction with federal programs, the amortization will be consistent with federal rules.

~~(1) — No down payment, 7 year amortization, 7 year term, no balloon payment, and will be paid in full by the end of the seventh year.~~

~~(2) — Ten percent down payment, 20 year amortization, 10 year term with balloon payment, paying the balance of the participation in full by the end of the tenth year.~~

c. The interest rate on the participated loan ~~may~~ shall be a fixed rate, ~~a variable rate, or a combination thereof.~~ If the rate of interest adjusts during the life of the participated loan, ~~the interest rate on the participated loan cannot exceed the initial interest rate by more than 500 basis points.~~ The fixed interest rate shall be reviewed by the board on a quarterly basis and adjusted as needed.

4.6(5) *Loans outstanding.* Loans under the program may be issued more than once, ~~providing provided that~~ the outstanding participation totals do not exceed ~~\$50,000~~ \$150,000 to any single borrower.

[Filed Emergency 9/2/09, effective 9/2/09]

[Published 9/23/09]

EDITOR'S NOTE: For replacement pages for IAC, see IAC Supplement 9/23/09.